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UTILITIES COMMISSION

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April 30, 2015

Ms. Jean D. Jewell
Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

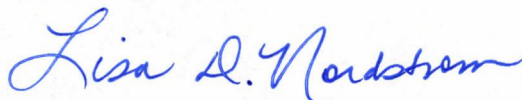
RE: Compliance Filing in Case No. IPC-E-12-27 – Annual Net Metering Report

Dear Ms. Jewell:

Pursuant to Order Nos. 32846 and 32925 in the above-mentioned case, Idaho Power Company hereby submits its Annual 2015 Net Metering Report.

If you have any questions regarding this filing, please contact Connie Aschenbrenner at (208) 388-5994 or caschenbrenner@idahopower.com.

Very truly yours,



Lisa D. Nordstrom

LDN/kkt
Enclosures
cc: Karl Klein, IPUC

**Idaho Power Company
Annual Net Metering Status Report
April 30, 2015**

The following document contains Idaho Power Company's ("Idaho Power" or "Company") annual net metering status report to the Idaho Public Utilities Commission ("Commission") as required by Order Nos. 32846 and 32925 in Case No. IPC-E-12-27. The report begins with updated participation and growth data since the Company's last update to the Commission in February 2014. The report then details key issues requested by the Commission, including potential cost shifting associated with pricing, the ability of the Company's billing system to accommodate net metering transactions, an update on excess net energy credit transfers, and the impact of distributed generation on system reliability.

I. Background

In November 2012, Idaho Power filed an application in Case No. IPC-E-12-27 requesting authority to modify the provisions of its net metering service to facilitate expansion in a fair, safe, and reliable manner. On July 3, 2013, the Commission issued final Order No. 32846 approving in part and denying in part the Company's application. On page 19 of Order No. 32846, the Commission ordered the Company to file an annual status report discussing the net metering service, its provisions, pricing, and how distributed generation may be impacting system reliability. Upon reconsideration in that same case, the Commission issued final Order No. 32925, expanding the scope of the Company's annual reporting requirements to also update the Commission regarding ongoing expenses associated with customization of the Company's billing system to accommodate net metering transactions, as well as the number of customers for whom the Company is manually billing aggregated net metering accounts.

The Company filed the first annual net metering status report with the Commission on February 28, 2014. At the time of that initial report, the Company envisioned filing the annual report at the end of each February thereafter. However, upon starting preparation of the second annual report, the Company determined it would not be able to fully report on the number of manual excess net energy credit transfers required in order to facilitate the billing of aggregated net metering accounts until after the impacted customers' March billing cycles. The Company discussed the issue with Commission Staff and reached an understanding whereby the Company would file the annual report by the end of April of each year. To ensure the

Commission is provided with the most up-to-date information available, the Company's report will contain information through March 31st of each year. Because last year's report contained information through the end of calendar year 2014, the Company will first provide a summary update on the year-over-year changes in customer counts and installed net metering capacity, and then will provide the detailed breakdowns through the end of March 2015.

II. Current Participation and Growth

As of December 31, 2014, Idaho Power's net metering service consisted of 509 active systems with a cumulative nameplate capacity of 3.7 megawatts ("MW"). During calendar year 2014, the Company's net metering service increased by 101 active systems with a cumulative nameplate capacity of 0.89 MW. The additional systems were almost entirely comprised of new solar photovoltaic ("PV") installations which accounted for 100 of the new systems and 99.6 percent of the capacity.

Between December 31, 2014, and March 31, 2015, the Company added 41 new active systems with a cumulative nameplate capacity of 0.28 MW. In addition, the Company has 34 pending applications totaling 0.39 MW of nameplate capacity.

The tables below provide the total number of active and pending net metering systems and nameplate capacity by resource type, jurisdiction, and customer class.

Table 1: Number of Net Metering Systems - Pending and Active as of March 31, 2015

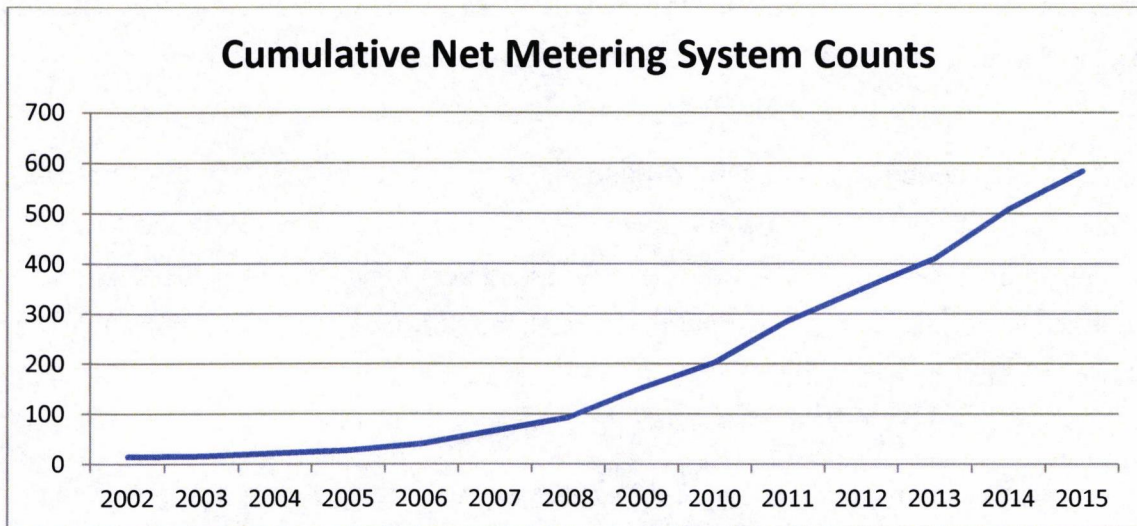
<u>Idaho</u>	<u>Solar PV</u>	<u>Wind</u>	<u>Hydro/Other</u>	<u>Total</u>
Residential	396	60	6	462
Commercial & Industrial	89	9	4	102
Irrigation	-	1	-	1
Total Idaho	485	70	10	565
<u>Oregon</u>				
Residential	6	2	-	8
Commercial & Industrial	7	-	-	7
Irrigation	4	-	-	4
Total Oregon	17	2	-	19
<u>Total Company</u>				
Residential	402	62	6	470
Commercial & Industrial	96	9	4	109
Irrigation	4	1	-	5
Total Company	502	72	10	584

Table 2: Nameplate Capacity (MW) - Pending and Active as of March 31, 2015

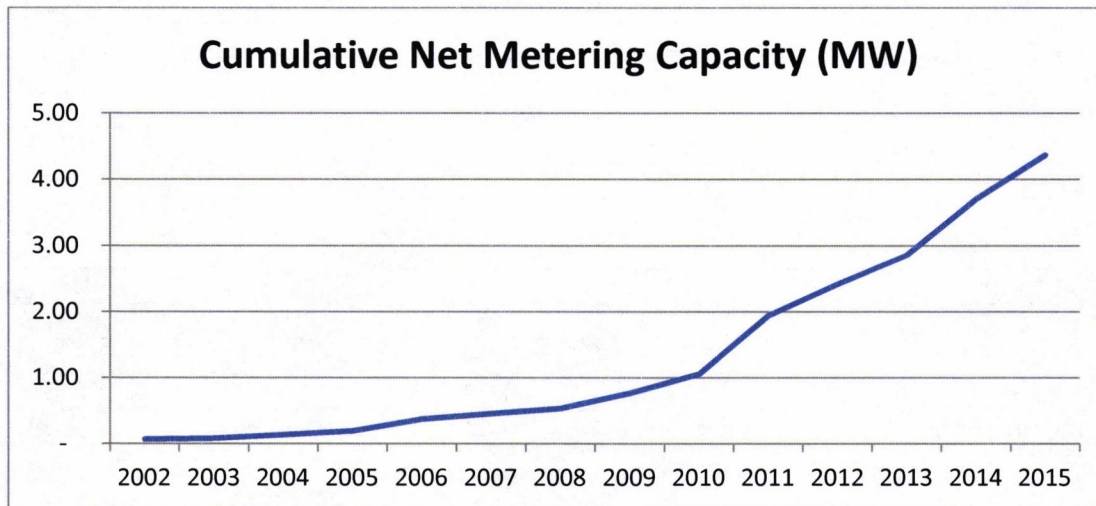
Idaho	Solar PV	Wind	Hydro/Other	Total
Residential	1.76	0.34	0.06	2.16
Commercial & Industrial	1.43	0.18	0.09	1.70
Irrigation	-	0.04	-	0.04
Total Idaho	3.19	0.56	0.15	3.90
Oregon				
Residential	0.02	0.01	-	0.03
Commercial & Industrial	0.14	-	-	0.14
Irrigation	0.31	-	-	0.31
Total Oregon	0.47	0.01	-	0.48
Total Company				
Residential	1.78	0.35	0.06	2.19
Commercial & Industrial	1.57	0.18	0.09	1.84
Irrigation	0.31	0.04	-	0.35
Total Company	3.66	0.57	0.15	4.38

In terms of growth, Idaho Power's net metering service continued to expand during 2014 and the first quarter of 2015. At the end of 2013, Idaho Power reported 428 active and pending systems, and at the end of the first quarter of 2015, Idaho Power has 584 active and pending systems, which represents a 36 percent increase in systems since the last report to the Commission.

The chart below details cumulative net metering system counts from 2002 through the first quarter of 2015 (including pending applications).



From a capacity perspective, interconnected net metering generation expanded in accordance with the increasing system counts described above. The chart below details cumulative capacity growth from 2002 through the first quarter of 2015 (including pending applications).



Overall, Idaho Power's net metering service continues to demonstrate steady growth. The exponential growth in net metering service since 2002 demonstrates how the Company's grid is evolving, and underscores the need to evaluate the associated service provisions and pricing to ensure that Idaho Power can continue to offer safe, reliable, fair-priced electrical service now and in the future. Idaho Power also anticipates that as participation in its net metering service continues to grow, there will be an impact on staffing requirements to facilitate both the processing of net metering applications at the time of interconnection, as well as processing the annual transfer of excess net energy credits.

III. Pricing and Cost Shifting

As net metering continues to expand, it is important to apply pricing policies that minimize cross-subsidies and allow for equitable and sustainable growth. While Idaho Power recognizes the desire of certain customers to offset their electrical use through the interconnection of self-owned generation, it is vital that the underlying pricing policies ensure that the expansion of net metering service does not occur at the expense of the Company's standard service customers.

As discussed in Case No. IPC-E-12-27, the current practice of applying standard retail rates to net metering service creates the potential for cost shifting between net metering customers and standard service customers. The problem of cost shifting is especially predominant within the Company's Residential and Small General Service classes, which are currently billed through a flat \$5.00 monthly service charge and volumetric energy rates. As

detailed in Case No. IPC-E-12-27, the Company's most recently reviewed class cost-of-service study from Case No. IPC-E-11-08 indicates that fixed customer-related costs associated with serving a Residential customer total \$20.92 per month, with additional fixed distribution capacity costs of \$1.48 per kilowatt ("kW") per month. For a Small General Service customer, fixed customer-related costs total \$22.49 per month, with additional fixed distribution capacity costs of \$1.37 per kW per month. With a flat monthly service charge of \$5.00, the majority of fixed costs are recovered through volumetric energy rates for these customer classes. Under this rate design, a cross-subsidy may exist when net metering customers offset energy consumption through self-generation, enabling them to avoid paying for the majority of the fixed costs they impose on the Company's system. This may result in cost shifting to standard service customers who lack the resources or desire to install net metering systems.

Given current participation levels and the rounding of energy rates to six digits, cost shifting is not currently impacting customer rates. However, as the Company discussed throughout Case No. IPC-E-12-27 and further emphasizes in this report, the potential for cost shifting renders the current rate design for net metering service unsustainable. Current retail rates were not designed to recover the cost of providing net metering service, and if rate structures are not corrected as the grid continues to evolve, cost shifting will inevitably have an adverse financial impact on the Company's customers.

It is also important to understand the potential impact of increased costs directly related to the administration of the Company's net metering service. As this service continues to grow, the Company will likely require additional employees to facilitate its administration. Further, as detailed in the following section, the Company has already incurred substantial costs associated with modifying billing system capabilities to facilitate the annual manual transfer of excess net energy credits. Costs incurred to accommodate a small number of customers should be carefully evaluated to ensure the Company's general body of customers is not impacted.

IV. Billing System Capabilities

While the Company believes its current rate designs cannot sustainably support the widespread expansion of net metering, it is important to consider billing system capabilities when evaluating proposed changes to the pricing of net metering service. As described in detail in the 2014 status report, in general, utility billing systems are not initially configured to accommodate net metering transactions, and changes in net metering billing practices often require resource-intensive customization that not only results in up-front costs, but requires additional ongoing maintenance costs as well.

Within the context of the Company's Customer Relationship and Billing ("CR&B") system, the billing engine is inherently robust with checks and controls that are not designed to accommodate kilowatt-hour ("kWh") transfers between meters. Because these checks and controls are largely driven by the data structure and defined by typical relationships between technical data (such as a service point) and customer data (such as an account), kWh transfers between meters result in system errors that require manual intervention. This manual process includes an override of the controls, manual entry of billing data, and additional testing to ensure proper billing.

In last year's net metering status report, the Company updated the Commission on the estimated up-front costs associated with customization of the billing system to accommodate manual excess net energy credit transfers between eligible meters. At that time, the Company determined that because net metering service is available to all of the Company's major customer classes, nearly all existing retail rate schedules, invoicing, and invoice printing would require modification to accommodate energy credits and transfers between meters. In addition to these requirements, Idaho Power determined that potential modifications may include adding flags to identify aggregated meters, additional operational reporting for billing reversals, manual transaction creation for excess net energy credit aggregation activity, Sarbanes-Oxley ("SOX") compliance report changes, and operational report changes. Based on information available at the time of last year's report, the Company estimated the total up-front customization costs would range from \$120,000 to \$200,000.

To facilitate the transfer of inaugural excess net energy credits at year-end 2014, the Company underwent a project to design and build systems to (1) accommodate changes to the billing algorithms required to enable accounts to receive credits and offset billed kWh consumption, (2) apply a meter aggregation fee per transfer, (3) accommodate SOX and operational reporting necessary to manage the implemented solution, and (4) perform the excess net energy credit transfers to eligible meters. At this time, the Company has completed the design process and has completed the first group of transfers requested by customers during January 2015. To date, the Company has incurred approximately \$166,000 in customization costs.

As noted in last year's report, in addition to up-front customization costs associated with system modifications and testing, ongoing costs will be incurred to maintain the customized system above and beyond what would have been required to maintain the system without customization. Several ongoing maintenance requirements will be complicated by the addition of the customized configuration, including maintaining rates in accordance with tariff changes, billing corrections, invoice processing, line item display and messaging, and monitoring of

system activity related to manual meter aggregation. As the Company continues to work through the billing changes and understands the ongoing requirements, it will be able to provide more comprehensive cost detail in future reports.

It is important to note that the cost estimates described above reflect the costs associated with modifying the billing system to accommodate a manual meter aggregation process. On page 7 of Order No. 32925, the Commission directed the Company to provide an estimated timeframe for when the automated billing of meter aggregation would be technically feasible and cost-justified. After examining the potential for automation within the current version of CR&B, the Company's billing system experts and third-party consultants determined that the system cannot be customized to accommodate automated meter aggregation. Automation of these processes would compromise the billing system and its controls as described above, making this a non-viable option for the foreseeable future. The Company will continue to monitor potential opportunities to streamline its processes as the system is updated and Idaho Power continues to gain more experience in utilizing its CR&B system.

V. 2014 Excess Net Energy Credit Transfers (Manual Meter Aggregation)

Schedule 84, Customer Energy Production Net Metering Service ("Schedule 84") allows for customers to submit requests to transfer excess net energy credits between January 1 and January 31 of each year. Applications received are reviewed against the following criteria from Schedule 84:

- The account subject to offset is held by the customer; and
- The meter is located on, or contiguous to, the property on which the Designated Meter¹ is located. For the purposes of Schedule 84, contiguous property includes property that is separated from the premises of the Designated Meter by public or railroad rights of way; and
- The meter is served by the same primary feeder as the Designated Meter at the time the customer files the application for the Net Metering System;² and
- The electricity recorded by the meter is for the customer's requirements; and
- For customers taking service under Schedule 1 or Schedule 7, credits may only be transferred to meters taking service under Schedule 1 or Schedule 7. For customers taking service under Schedule 9, Schedule 19, or Schedule 24, credits may only be transferred to meters taking service under Schedule 9, Schedule 19, or Schedule 24.

In last year's annual net metering report, Idaho Power committed to inform its net metering customers during the second half of 2014 of the approved changes to the billing

¹Schedule 84 states the Designated Meter "is the retail meter physically connected to the Net Metering System."

²Schedule 84 states the Net Metering System "is a Customer-owned Generation Facility interconnected to the Company's system under the applicable terms of Schedule 72 and Schedule 84."

treatment of excess net energy credits for customers with multiple meters. The Company's Net Metering Specialists worked to inform all net metering customers of the annual ability to transfer excess net energy credits both via direct mailings and by information posted to Idaho Power's website at www.idahopower.com/netmetering.

On September 25, 2014, all of the Company's net metering service customers were sent an initial notification which outlined the process and described the requirements to transfer excess net energy credits. This letter was intended to give customers advance notice of the process and draw attention to subsequent communication. On December 3, 2014, a second letter was sent to all net metering service customers reminding them of the requirements and deadlines to submit an application for transfer. A copy of the transfer request form and a Frequently Asked Questions document were sent with the second letter (both of which are available on the Company's website). Lastly, the Company posted a message on all net metering service customers' December bills.

Given the costs associated with system customization, the Commission directed Idaho Power in Order No. 32925 to keep it apprised of the number of customers choosing to transfer excess net energy credits under the newly-approved meter aggregation rules. As of the January 31, 2015, deadline, the Company received 24 applications for transfer and those applications were reviewed February 1, 2015, through February 18, 2015, against the Schedule 84 criteria.

Based on the above criteria, the Company determined that 14 of the requests were eligible for transfer. The total amount transferred was 206,629 kWh generated from Net Metering Systems taking service under Residential (4%), Small General (68%), Irrigation (4%), and Large General (24%) rate schedules. The 206,629 kWh were transferred to customers taking service under Residential (72%), Large General (24%), and Irrigation (4%) rate schedules.

The Company received 10 applications that were ultimately found to be ineligible for transfer based on the following:

- Two applicants did not have excess net energy credits.
- Two applicants did not have a second meter.
- Four applicants did not have a second meter under a compatible rate schedule.
- One applicant (two applications) requested two transfers to a meter on a property that was not contiguous.

The Company contacted by phone or email all of the customers who had requested a transfer but whose applications were ultimately denied to explain the reason the requested transfer could not be completed.

VI. System Reliability Considerations

Net metering systems in Idaho Power's service area are dispersed across hundreds of feeders. Because the current penetration level is relatively small compared to distribution feeder loads, as of the end of 2014 there was no significant impact on distribution system reliability attributed to net metering system operation.

As of March 31, 2015, the Company's 550 active net metering systems were dispersed across roughly 229 of its approximately 650 distribution feeders. That compares to 385 active systems across 206 distribution feeders that were reported in 2013. The feeders that contain the greatest number of net metering systems are largely located in northeast Boise and in the Wood River area, while the feeders that contain the greatest amount of connected capacity tend to be located in mostly agricultural and rural areas. The greatest number of active net metering systems that currently exist on a single distribution feeder is ten. From a capacity perspective, six generators (all solar) rated at approximately 233 kW are located on a single distribution feeder. That feeder serves mostly rural customers with approximately 7,880 total connected transformer kilovolt-ampere ("kVA"), and the percentage of connected net metering kW capacity to total connected transformer kVA is approximately 3.25 percent. The Company has not yet experienced significant operational impacts on these feeders.

Because all net metering installations are unique in both customer-specific system attributes as well as the Company's facilities in a particular location, the Company reviews several factors when determining the feasibility of connecting a new net metering system. This review may include determining if there is adequate transformation at the point of connection, if the existing service conductor has adequate capacity to serve the total connected capacity of the generators, and if the phasing (single- versus three-phase) of the system matches the service infrastructure. To date, the Company has not denied any net metering applications due to system limitations, but continues to carefully monitor requests for connection to ensure ongoing reliable service is available to both existing and new customers.

Although the Company has not yet experienced significant system reliability issues as a result of current net metering penetration, it will continue to monitor the effects of net metering service on its system. This monitoring includes tracking the locations and connected capacities of net metering customers and comparing connected capacities to minimum feeder loads. As net metering system penetration increases, Idaho Power will keep the Commission apprised of experienced or anticipated system reliability impacts and will propose mitigation as needed which may include additional inverter requirements, e.g., smart inverters.

VII. Conclusion

Idaho Power is committed to carefully analyzing the impacts of growth in distributed generation and the issues that must be addressed to accommodate the expansion of the Company's net metering service. The Company acknowledges that there are many issues related to the expansion of distributed generation on its system, and does not contend that this report is an all-encompassing view of the potential impacts of this technology on Idaho Power and its customers.

As with all services provided by Idaho Power, the Company will continue to monitor the status of net metering and keep the Commission apprised of any changes it feels are necessary to offer this service in a sustainable, safe, and reliable manner. From establishing appropriate pricing to ensuring the reliability of the grid, distributed generation presents a number of challenges that must be addressed as penetration continues to increase. Idaho Power appreciates the opportunity to provide the Commission with an update on the status of its net metering service, and looks forward to working through these issues as the nature of the electrical grid continues to evolve.